

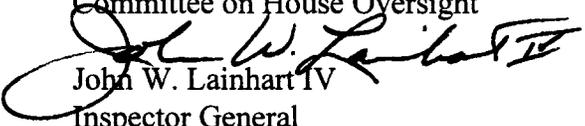
John W. Lainhart IV  
Inspector General

Office of Inspector General  
U.S. House of Representatives  
Washington, DC 20515-9990

MEMORANDUM

TO: The Honorable Bill Thomas, Chairman  
Committee on House Oversight

The Honorable Sam Gejdenson, Ranking Minority Member  
Committee on House Oversight

FROM:   
John W. Lainhart IV  
Inspector General

DATE: September 24, 1997

SUBJECT: Management Advisory Report - Management and Financial Irregularities in the  
Office of the Chief Administrative Officer (Report No. 97-HOC-12)

This is our Report on *Management and Financial Irregularities in the Office of the Chief Administrative Officer*.

This report is being submitted as a *Management Advisory Report* in lieu of a Report of Investigation. Unlike the customary Report of Investigation, in this Management Advisory Report, the names of individuals who provided statements or other information to the Office of Inspector General have been expunged. Likewise, all supporting documentation and exhibits have been removed. Normally, we would submit a Management Advisory Report to the House official who requested the review. (This review was initially requested by the Acting Chief Administrative Officer (CAO).) However, as we conducted our review, we found it necessary to expand it beyond the initial request to cover a myriad of management and financial practices in the CAO's office during the 104<sup>th</sup> Congress. Accordingly, under the circumstances, we believe it is more appropriate to submit this report directly to the Committee on House Oversight.

Our review revealed a pattern and practice of poor judgment, mismanagement, abuse of authority, and gross disregard for established policies and procedures by Scot M. Faulkner, the CAO during the 104<sup>th</sup> Congress. The most egregious infraction was the unauthorized involvement by Mr. Faulkner's fiancée, Vicki Hunter, in the day-to-day operations of the CAO's office. In allowing Ms. Hunter's active participation in CAO business, Mr. Faulkner abused his authority while at the same time abdicating his responsibilities as CAO.

Mr. Faulkner also exercised poor judgment, and abused his authority, by:

- Authorizing his own vouchers for reimbursement for questionable telephone charges.
- Altering his work schedule, working a four-day week in Washington, DC with three-day weekends in Harpers Ferry, West Virginia.
- Contracting with, and engaging as consultants, personal friends and associates.
- Attempting to cover Ms. Hunter on his Government-sponsored health insurance policy when she was clearly not eligible for such coverage.
- Using the frank to distribute a mass mailing to his personal friends and associates.
- Transferring an employee who had reported an incident of sexual harassment to the office under the direction of the alleged violator and, subsequently, attempting to halt the ongoing sexual harassment investigation.
- Making inappropriate comments and disclosing confidential information regarding House business to author Ronald Kessler during interviews for the book *Inside Congress*.

In addition, we identified several internal control weaknesses that need to be corrected.

We are referring our report, which includes our specific recommendations, to the Committee for appropriate action. Please call me at x61250 if you have any questions or require clarification of any issue.

cc: Speaker of the House  
Majority Leader of the House  
Minority Leader of the House  
Members, Committee on House Oversight

**Management Advisory Report  
Management and Financial Irregularities in the  
Office of the Chief Administrative Officer**

*Report No: 97-HOC-12  
September 24, 1997*

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**REPORT SUMMARY**

We initiated this management review as a result of information referred to the Office of Inspector General (OIG) by the Acting Chief Administrative Officer (CAO) shortly after his appointment to that position at the close of the 104<sup>th</sup> Congress. In particular, we were asked to examine several vouchers submitted on behalf of and approved by the CAO in the 104<sup>th</sup> Congress which raised “operational and potentially legal questions.”

We initially focused on the CAO’s voucher-processing practices and, in particular, certain reimbursements made to Scot M. Faulkner, the CAO. However, it soon became necessary to expand the review to cover a myriad of management and financial practices in the CAO’s office during the 104<sup>th</sup> Congress.

**CONCLUSIONS**

The review has revealed a pattern and practice of poor judgment, mismanagement, abuse of authority, and gross disregard for established policies and procedures by Mr. Faulkner.

(We have corresponded with Mr. Faulkner on three separate occasions in an attempt to arrange a personal meeting to discuss these issues. In response to our first request, Mr. Faulkner advised us that he “will be available to discuss the issues . . . upon my return to the United States.” But in a subsequent letter, Mr. Faulkner stated, “my plans to return to Washington, DC are, at this time, uncertain.” He asked that we send written questions to his home in Harpers Ferry, West Virginia. We wrote back, advising Mr. Faulkner that we would not do this. In his third letter, Mr. Faulkner said he must “insist” on written questions so he can consult with counsel prior to answering our questions.)

Perhaps the most egregious infraction uncovered by this review was the unauthorized involvement by Mr. Faulkner’s fiancée, Vicki Hunter, in the day-to-day operations of the CAO’s office. In allowing Ms. Hunter’s active participation in CAO business, Mr. Faulkner abused his authority while at the same time abdicating his responsibilities as CAO. Not only was

Ms. Hunter's involvement unlawful and unethical, it also contributed to a demoralized atmosphere throughout the CAO organization.

Mr. Faulkner also exercised poor judgment, and abused his authority, by:

- Authorizing his own vouchers for reimbursement for questionable telephone charges.
- Altering his work schedule, working a four-day week in Washington, DC with three-day weekends in Harpers Ferry, West Virginia.
- Contracting with, and engaging as consultants, personal friends and associates.
- Attempting to cover Ms. Hunter on his Government-sponsored health insurance policy when she was clearly not eligible for such coverage.
- Using the frank to distribute a mass mailing to his personal friends and associates.
- Transferring an employee who had reported an incident of sexual harassment to the office under the direction of the alleged violator and, subsequently, attempting to halt the ongoing sexual harassment investigation.
- Making inappropriate comments and disclosing confidential information regarding House business to author Ronald Kessler during interviews for the book *Inside Congress*.

In addition, we identified several internal control weaknesses that need to be corrected.

In one instance, we discovered that a duplicate voucher had been processed for a CAO employee who claimed that she never received her check for reimbursement of expenses. Instead of attempting to track the lost check or issue a stop payment order, the Finance Office simply issued a replacement check. Although the amount of the payment was relatively small, the House's account was nonetheless debited twice for a single expense.

We also found the control over the issuance of cellular telephones to be lacking in some instances. Contrary to normal policy, employees in the CAO's Immediate Office refused to put their requests for cellular telephones in writing. House Information Resources (HIR) generally had no idea who was using the telephones issued to the CAO's Immediate Office. At one point, ten or more cellular telephones were issued and outstanding at one time. In addition, one of these cellular telephones was cloned. However, the CAO's staff did not use Personal Identification Numbers (PINs) which can be activated to protect cellular telephones against cloning and unauthorized use.

Finally, we found the procedures followed by the Office of Procurement and Purchasing (OPP) to be sloppy and haphazard in the one transaction we reviewed – the procurement of Total Quality Management (TQM) training for CAO staff. In this transaction, we found that OPP did not follow the established Procurement Guidelines and failed to properly document the procurement file.

## **RECOMMENDATIONS**

Generally, in making recommendations for corrective action, we would also address the issue of appropriate administrative action for any employees guilty of serious transgressions. Of course, in this case, the issue is moot since Mr. Faulkner has resigned from the House. Thus, we are referring this report to the Committee on House Oversight with the following recommendations:

1. A secondary authorization be required to process vouchers for reimbursement to an Officer of the House.
2. The Chief Administrative Officer attempt to recover from Mr. Faulkner the sum of \$1,366.59 for improper telephone charge reimbursements.
3. The Chief Administrative Officer establish and implement specific procedures pertaining to lost checks. At a minimum, no check should be reissued without first attempting to track and/or stop payment on the lost check.
4. The Chief Administrative Officer inform all users of House-issued cellular telephones that PINs can be utilized to protect against cloning and unauthorized use of the phones.
5. The Chief Administrative Officer direct the new Associate Administrator, Procurement and Purchasing, when appointed, to thoroughly review the performance of the staff and take whatever measures are necessary to ensure that:
  - (a) established policies and procedures (including, but not necessarily limited to, the Procurement Guidelines) are followed; and
  - (b) all procurement files are properly documented and required records are maintained.

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## **I. INTRODUCTION**

### **Background**

This review involves a number of questionable management and financial practices in the Immediate Office of the Chief Administrative Officer (CAO) during the 104<sup>th</sup> Congress. We initiated this management review as a result of information referred to the Office of Inspector General (OIG) by the Acting CAO shortly after his appointment to that position at the close of the 104<sup>th</sup> Congress.

The CAO is elected by a *viva voce* vote at the commencement of each Congress. During the 104<sup>th</sup> Congress, the CAO was given operational and financial responsibility for functions as assigned by the Speaker and the Committee on House Oversight. (*See Rules II and V of the Rules of the House of Representatives Effective For One Hundred Fourth Congress.*)<sup>1</sup> Scot M. Faulkner was appointed CAO on January 4, 1995, and served until November 22, 1996.

On November 23, 1996, Jeff Trandahl was named Acting CAO. In the ensuing weeks, Mr. Trandahl referred several matters to the OIG for our review. This report contains our findings and recommendations resulting from two of those referrals, involving certain events that took place during Mr. Faulkner's tenure.

On December 13, 1996, Mr. Trandahl contacted the OIG to advise us of several "concerns regarding previously processed vouchers submitted on behalf of and approved by the previous Chief Administrative Officer." The vouchers in question reflected payments to Mr. Faulkner for reimbursement of telephone charges from his residence in Harpers Ferry, West Virginia, to Washington, DC, as well as calls charged to his personal cellular telephone account. In his referral letter, Mr. Trandahl stated, "The discovery of these and other similar processed vouchers and past disbursements raises several operational and potentially legal questions." On January 2, 1997, Mr. Trandahl again contacted the OIG to advise us "that certain official records regarding the financial activities of the Immediate Office of the Chief Administrative Officer were missing." Mr. Trandahl asked for our assistance in determining the "extent of the lost documentation" and the possibility of recovering or reconstructing the files.

Upon receiving Mr. Trandahl's correspondence, we began this management review. We were able to quickly resolve the issue of the "missing" records. These records pertained to various disbursements for the months of October and November 1996. Personnel in the Office of Finance had reported these records missing during the first week in January 1997 when the files could not be located during a routine check of records in the file storage area. The records were subsequently located – sometime during the week of January 13, 1997 – when it was discovered that the files had inadvertently been tucked inside a House Information Resources (HIR) file. However, upon reviewing these records, we discovered several additional questionable transactions, which we have incorporated into this review. In addition, in the course of this

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<sup>1</sup> Rule V was amended in the 105<sup>th</sup> Congress, providing that the CAO's duties are assigned solely by the Committee on House Oversight.

review, we learned of several other questionable actions from our conversations with various CAO employees. We have incorporated those actions into our review as well. Furthermore, while this review was in process, an article appeared in the *Washington Post Magazine* which excerpted the book *Inside Congress* by Ronald Kessler. The book cites many instances of alleged improprieties within the House and lists interviews with Mr. Faulkner as one of the sources. Accordingly, we expanded our review in order to determine if Mr. Faulkner committed any ethical improprieties by disclosing confidential House information to Mr. Kessler.

### **Scope of Review**

Upon opening this management review, we initially focused on the CAO's voucher-processing practices and, in particular, the reimbursements to Mr. Faulkner. However, in light of the additional information we received, it soon became necessary to expand the review to cover a myriad of management and financial practices in the CAO's office during the 104<sup>th</sup> Congress.

The objectives of this management review were to:

- Determine the extent of any violations of Federal law or House Rules, including actual or apparent ethical improprieties.
- Assess certain operational practices for economy, efficiency, and effectiveness, and make recommendations to ensure the integrity of financial operations and systems.
- Provide recommendations on possible disciplinary actions for current House employees involved in any improprieties.

## **II. RESULTS OF THE MANAGEMENT REVIEW**

### **A. Telephone Charge Reimbursements to Scot M. Faulkner**

On December 13, 1996, two vouchers that had been approved by, and processed during the tenure of, the previous CAO, Scot M. Faulkner, were referred to the OIG. These vouchers reflected payments to Mr. Faulkner for reimbursement of long-distance telephone calls from his residence in Harpers Ferry, West Virginia, to Washington, DC, as well as calls charged to his personal cellular telephone account. Through further examination, we identified a total of five such vouchers – totaling \$1,366.59. Each voucher bore the signature of Scot M. Faulkner as the “Authorizing Official,” and each voucher was processed for payment by the Office of Finance. According to these vouchers, Mr. Faulkner was reimbursed a total of \$929.32 for long-distance service provided by AT&T and billed to his Harpers Ferry residence telephone and \$437.27 for cellular phone service provided by Bell Atlantic Nynex Mobile for his personal cellular phone. The telephone bills submitted with the vouchers covered the time-frame from December 18, 1995, through October 19, 1996.

As Mr. Trandahl so aptly stated in his referral letter, the discovery of these payments “raises several operational and potentially legal questions.”

#### **Authorization Procedures for Vouchers**

Mr. Faulkner apparently authorized payment of his own vouchers by signing as the authorizing official. Currently, there is no rule or policy requiring a counter endorsement or secondary authorization for reimbursements made directly to the CAO or any of the other House Officers. Because there are no specific policies, the Office of Finance uses the Member Handbook as the guidelines for processing Officers’ vouchers. Since the Member Handbook specifies that Members sign for all of their office’s vouchers, the Office of Finance processed the CAO’s vouchers in this case without any hesitation.

#### **Who Made the Telephone Calls?**

The telephone bills that Mr. Faulkner submitted with the vouchers indicated the dates and times that the phone calls were placed. Calls were placed to an assortment of CAO offices, with the majority of the calls made directly to Mr. Faulkner’s or his administrative assistant’s private phone lines in the Capitol. Since the calls were placed to CAO offices from Harpers Ferry regularly during the work week, we questioned whether it was Mr. Faulkner who was actually initiating the calls. Therefore, we compared the dates and times on the phone bills with the dates and times the computer in Mr. Faulkner’s Capitol office was logged on with his personal ID. The comparison showed numerous occasions when they overlapped.

It became obvious that Mr. Faulkner was not making all of the calls himself. Rather, our review revealed that some of the calls can be attributed to Vicki Hunter, Mr. Faulkner’s fiancée. We learned that Ms. Hunter was extensively involved in CAO operations and called the CAO’s office

frequently. This explains how calls were placed from Harpers Ferry at the same time Mr. Faulkner was logged on to his computer in the Capitol.

(Detailed information regarding the extent of Ms. Hunter's involvement in CAO business is presented in Section II.B of this report.)

### **Mr. Faulkner's Abbreviated Work Week**

A significant number of the calls for which Mr. Faulkner sought and received reimbursement were made on Fridays. We discovered that Mr. Faulkner routinely took Fridays off for three-day weekends and conducted business from his home on those days. It was commonly known within the CAO's organization that Mr. Faulkner regularly spent three-day weekends at his Harpers Ferry home. However, we found no indication that Mr. Faulkner made formal provisions, or obtained proper authorization, for his altered work schedule.

### **Cost-effectiveness of Telephone Charges**

Mr. Faulkner sought reimbursement for the telephone charges described above even though he had a House-issued cellular telephone and a House-issued long-distance calling card. There is no rule or policy prohibiting a House employee from being reimbursed for telephone calls, but it would have been more cost-effective for Mr. Faulkner to utilize the House-provided services for official business. The rates provided to the House for cellular telephone and long-distance services are significantly lower than those provided to individual, residential customers. Because Mr. Faulkner used his own telephone providers, the House paid 250% more for the cellular telephone usage and 380% more for the long-distance calls.

## **B. Vicki Hunter Involvement in CAO Business**

Our review revealed a pattern and practice of involvement by Vicki Hunter in many aspects of the CAO's operation during the 104<sup>th</sup> Congress.<sup>2</sup> In many respects, Ms. Hunter acted as if she were Mr. Faulkner's "Chief of Staff" or "Deputy CAO." Although she functioned as a House employee, Ms. Hunter did not occupy any official position in the House. Furthermore, her role in CAO operations was never approved by the Committee on House Oversight.

Several current and former CAO employees described various incidents to us that clearly depicted Ms. Hunter's extensive involvement in CAO business. For example:

- Mr. Faulkner reportedly told his staff that "Vicki says not to trust anyone." In meetings with CAO staff, Mr. Faulkner would often say things such as, "I want to run this past Vicki"... or ... "let's get Vicki's input on this."
- Ms. Hunter reportedly sent a memorandum to a CAO employee stating that "Scot is equivalent to a Member of Congress and is entitled to all of the protocol."
- On at least one occasion, Ms. Hunter sat in on an employment interview Mr. Faulkner was conducting.
- Ms. Hunter once reprimanded an employee for the manner in which she handled a telephone call from a staff member of the Committee on House Oversight. Ms. Hunter reportedly told the employee to "tell them to go f--- themselves," and "you don't have to be nice to anyone from Oversight – they are the enemy."
- Early on, Ms. Hunter spent a lot of time in the office. When Ms. Hunter was in the office, she would frequently listen in on phone calls between Mr. Faulkner's Administrative Assistant and other CAO employees. Sometimes Ms. Hunter could not control herself and would "blurt" something out while listening in on the calls. Later on, Ms. Hunter began spending less time in the office. But she called the office on a regular basis to ask about the "status" of various CAO matters.<sup>3</sup>
- Ms. Hunter instructed an HIR employee to collect the pagers from two employees in the Office of Human Resources – apparently as a punishment for having failed to return her pages.

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<sup>2</sup> Ms. Hunter is Mr. Faulkner's fiancée. However, she often referred to herself as Mr. Faulkner's wife or claimed that they were the "same as" married.

<sup>3</sup> The evidence in this case indicates that Ms. Hunter made many calls from the Faulkner residence in Harpers Ferry. And, as reported in Section II.A of this report, Mr. Faulkner billed the House for the cost of these calls.

### **Communication Training Procurement**

Ms. Hunter was involved in, or had knowledge of, the procurement process and issues surrounding the award of a contract for communication and facilitation training for CAO staff. The initial intention was to process the contract as a “sole-source” procurement. However, the Office of Procurement and Purchasing (OPP) advised that the procurement should be competitively bid. When Ms. Hunter found out about this, she called one of the CAO employees who was working on this project, telling the employee not to be upset because the procurement “will be taken care of.” (Additional information concerning this procurement is presented in Section II.C of this report.)

### **Calls to Office of Human Resources**

Throughout much of 1996, Ms. Hunter called the Office of Human Resources on numerous occasions to discuss ongoing official CAO business. An employee with whom we spoke provided us with detailed records of telephone conversations with, and messages from, Ms. Hunter. The records demonstrate Ms. Hunter’s comprehensive knowledge of sensitive CAO information and her involvement in CAO operations.

The following excerpts from the employee’s notes show the varied topics and issues Ms. Hunter was involved in:

- **1/17/96** - Ms. Hunter called about the status of an employee’s parking privilege and the progress of the employee’s transfer paperwork.
- **2/8/96** - Mr. Faulkner’s Administrative Assistant called to inquire about an employee’s paperwork. During the conversation, Ms. Hunter “broke in” and asked where the paperwork was.
- **8/30/96** - On Friday morning, August 26, Ms. Hunter called and left a voice mail message for the employee to call Mr. Faulkner at home. When the employee returned the call, Ms. Hunter answered and said that Mr. Faulkner was “in the yard.” Ms. Hunter then told the employee to “disregard” Mr. Faulkner’s call.
- **9/24/96** - Ms. Hunter called to request the paperwork for the reorganization of Media and Support Services, Publications and Distribution, and House Information Resources.
- **9/25/96** - Ms. Hunter called and left a voice mail message with detailed instructions on routing correspondence to Mr. Faulkner.
- **9/26/96** - Ms. Hunter called to ask if merit increases need to be approved by CHO. She also asked for a copy of the House Employees Position Classification Act (HEPCA).
- **10/29/96** - Ms. Hunter called requesting that the resumes of two employees in HIR be faxed to Mr. Faulkner’s office right away.

### **CAO Manager’s Perspective**

Ms. Hunter’s involvement, as illustrated above, was confirmed by a high-level CAO manager. The manager told us that Ms. Hunter constantly called to ask questions about every aspect of CAO operations. She usually would call to “push things along” or to ask “ why this or that is not

done.” It was clear from the questions she asked that she was privy to non-public information; it was obvious that she was having ongoing discussions with Mr. Faulkner on CAO-related business. According to the manager, Ms. Hunter’s telephone calls seemed to increase when Mr. Faulkner’s frustration levels increased. This happened mostly when deadlines were approaching, when issues were pending at CHO, or when something “was stuck in Personnel.”

The manager said that “everyone” complained about the inappropriateness of Ms. Hunter’s involvement. The manager attempted to counsel Mr. Faulkner on several occasions on this issue. On several occasions, Mr. Faulkner seemed to agree with the advice he was receiving. However, on other occasions, Mr. Faulkner would either fail to acknowledge the advice the manager was giving him or would tell the manager that the situation was “beyond my control.”

### **Jeff Trandahl - Acting CAO**

During the weeks following Mr. Faulkner’s departure, Ms. Hunter called the CAO’s office “constantly.” She would call Mr. Trandahl and other CAO staff regarding various logistical details, such as picking up the boxes containing Mr. Faulkner’s personal property.

As part of his new responsibilities as Acting CAO, Mr. Trandahl talked to his staff about the various issues raised in the Inspector General report, *Improvements Are Needed In The Management And Operations Of The Office Of The Chief Administrative Officer*. During this process, he began to hear “stories” about the way business had been conducted in the CAO’s office, including the extent of Ms. Hunter’s involvement. Mr. Trandahl had been aware of Ms. Hunter’s presence in the CAO’s office, but it was not until he talked with various CAO employees that he learned how pervasive her involvement was.

### **Discussion**

Vicki Hunter’s involvement in official CAO business, as described in this report, began at about the time Mr. Faulkner was appointed CAO in January 1995 and continued through the end of his tenure on November 22, 1996. It goes without saying that her involvement was highly improper. In allowing this to occur, Mr. Faulkner abused his authority while concurrently abdicating his responsibilities as Chief Administrative Officer. His actions constitute a violation of, and gross disregard for, Federal law and House Rules, as discussed below.

#### **No Official Position**

In many respects, Ms. Hunter acted as a “Chief of Staff” or as the “Deputy CAO.” She not only conversed with CAO staff about sensitive, confidential issues, but also gave instructions to staff under the guise of representing Mr. Faulkner. *But Ms. Hunter occupied no official position with the House.*

Rule II of the *Rules of the House of Representatives* provides that the Officers of the House (defined to include the Clerk, the Sergeant-at-Arms, the CAO, and the Chaplain) shall appoint their employees *as provided by law*. The establishment and maintenance of positions under the

House Officers (including classification and compensation levels) is governed by the *House Employees Position Classification Act*, 2 U.S.C. § 291 *et. seq.* Section 293 of the Act confers specific authority in this area to the Committee on House Oversight.

However, Ms. Hunter's involvement in CAO business occurred without the knowledge of, or approval by, the Committee on House Oversight. By allowing Ms. Hunter to operate as a *de facto* "Chief of Staff" or "Deputy CAO," Mr. Faulkner was in violation of the above statutory provisions.

In addition, Rule II provides that all House Officers take an oath to, among other things, "keep the secrets of the House." By allowing Ms. Hunter access to confidential CAO information, Mr. Faulkner violated his oath of office.

### Abdication of Duties

In some instances, Ms. Hunter seemed to be acting as if she were Mr. Faulkner's "alter ego." Mr. Faulkner often appeared to yield to Ms. Hunter as if she were the "boss." He even told a high-level CAO manager that Ms. Hunter's actions, although improper, were "beyond [his] control." We view this as an abdication by Mr. Faulkner of his official duties as CAO.

Section 101, title 2, U.S. Code, provides that "[n]o employee of Congress, either in the Senate or House, shall sublet to, or hire, another to do or perform any part of the duties or work attached to the position to which he was appointed." If, in fact, Mr. Faulkner allowed Ms. Hunter to perform any part of the duties of the CAO, he would be in violation of this provision as well.

### Acceptance of Voluntary Services

As far as we have been able to determine, Ms. Hunter performed her "duties" without compensation. This raises additional problems under the *Anti-Deficiency Act*, 31 U.S.C. § 1342. Section 1342 provides that "[a]n officer or employee of the United States Government . . . may not accept voluntary services . . . or employ personal services exceeding that authorized by law except for emergencies involving the safety of human life or the protection of property."<sup>4</sup> The statute contains two distinct although closely related prohibitions. It bans, first, the acceptance of voluntary services for the United States and, second, the employment of personal services exceeding that authorized by law. (*See Principles of Federal Appropriations Law*, Second Edition, Volume II, Chapter 6, at p. 6-57.)

In addition, Rule XLV, *Prohibition of Unofficial Office Accounts*, has been interpreted by the House Select Committee on Ethics to include a prohibition on acceptance of voluntary services. The Committee has held that "no logical distinction can be drawn between the private contribution of in-kind services and the private contribution of money, and that both perpetuate

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<sup>4</sup> The issue of whether the Anti-Deficiency Act actually applies to the Legislative Branch has never been resolved. However, the Committee on House Oversight has, in the past, instructed House Officers to follow the "spirit" of the law with respect to the ban on voluntary services.

the very kind of unofficial office accounts and practices that are prohibited” by the rule. (See House Ethics Manual, April 1992, p. 195.) This rule applies to House Officers as well as House Members.

Neither the statute nor Rule XLV necessarily bans *all* voluntary service. Certain intern, fellowship, or similar educational programs that are primarily of educational benefit to the individual (as opposed to the Government) are permissible. What is banned is the acceptance of *unauthorized* services (not intended or agreed to be gratuitous) which could afford a basis for a future claim against Congress. (See 30 Op. Att’y Gen. 51 (1913).) But Ms. Hunter’s involvement in this case was not “authorized” and does not fit within any of the authorized exceptions for interns or fellows and, thus, must be viewed as a violation of the ban on voluntary services.<sup>5</sup>

### Rule II – Secrets of the House

Finally, one might argue that Ms. Hunter was not exercising any “duties,” nor filling any “position” – authorized or unauthorized – in the CAO’s office, but was merely acting as a “sounding board” or unofficial confidant of Mr. Faulkner. This scenario would still violate House Rule II, as mentioned above, which requires House Officers to keep the secrets of the House.

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<sup>5</sup> Of course, had Ms. Hunter been paid, there could have been a problem with respect to section 3110, title 5, U.S. Code, which prohibits a public official from appointing or employing a relative into a paid position. Although Ms. Hunter and Mr. Faulkner were not legally married, and although she may not have met the statutory definition of “relative,” an official appointment for Ms. Hunter into a paid position in the CAO’s office would have nonetheless been unwise under the circumstances.

### **C. Communication Training Procurement**

During the course of this review, we became aware of a questionable procurement action between the CAO's office and a private company. The purpose of the contract was to provide Total Quality Management (TQM) training (on the subject of communication and facilitation) for CAO staff. The contract was priced at \$38,000, but the training was totally "worthless" in the opinion of several CAO employees. When we pursued this issue further, we learned that the president of the company is an acquaintance of Mr. Faulkner. We also learned that Vicki Hunter was involved in the matter.<sup>6</sup>

The original intention was to award the contract without competition ("sole source"). But the Office of Procurement and Purchasing (OPP) questioned the merits of the sole-source justification and subsequently recommended that the contract be awarded through a competitive bid process. However, the Procurement Guidelines were not followed, and the competitive bid process appears to have been a sham.

#### **TQM Training Proposal**

Shortly after his appointment as CAO, Mr. Faulkner decided to develop a training program for CAO staff. He hired a training director, who began working on plans to provide TQM training "in-house" to CAO staff. However, during the planning process, Mr. Faulkner announced that he had a particular company in mind to conduct the training. He was adamant that the president of this company was the best trainer he had ever seen. He instructed his training director to contract with this company for the training.

#### **The Procurement Process**

In late July or early August 1996, OPP was contacted for guidance on initiating a sole-source procurement.<sup>7</sup> However, after reviewing the CAO's sole-source justification, officials in OPP became concerned that the training was not a justifiable sole-source procurement. There was nothing in the justification memo to indicate that the company Mr. Faulkner wanted was the only source for this type of training, and OPP was aware that there were other sources that could provide the training. OPP had additional concerns when it was learned that Mr. Faulkner was previously acquainted with the president of the company. Consequently, OPP advised that the training must be competitively bid.

The training director conveyed this information to Mr. Faulkner's office on August 23, 1996. Later that same evening, the training director received a phone call at home from Mr. Faulkner's Executive Assistant who stated that "everything will be taken care of." The assistant indicated that they would still get the company Mr. Faulkner wanted to do the training. The following

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<sup>6</sup> A more detailed account of Ms. Hunter's involvement in CAO business is presented in Section II.B. of this report.

<sup>7</sup> A major factor to be considered in justifying a sole-source procurement is whether the item is available from a single source and no other supplies or services will satisfy the requirements. (*See* Guidelines for Procurement of Goods and Services for the House of Representatives, as amended November 21, 1995, Section III (F).)

morning, the training director received a phone call at home from Vicki Hunter who called to say that the training procurement “will be taken care of.”

A few days later, on August 29, 1996, OPP issued a Request for Quotations (RFQ). The RFQ specified a closing date of September 5, 1996 – only four business days later. By the closing date of the RFQ, only two bids had been received. A panel of three CAO employees met to evaluate the bids. After comparing the two bids, they selected the company that Mr. Faulkner had initially specified to fulfill the training request.

The training, which included four separate sessions, was conducted during the week of September 23, 1996. We spoke with two employees who attended a portion of the training. Neither of them believed that this training was worthwhile. However, a review of several *Session and Instructor Evaluation* forms indicated that other participants in the training felt the training was very effective.

### **Violations of the Procurement Guidelines**

The entire “competitive” process to procure the TQM training was nothing more than a front to the obvious outcome that the training contract would be awarded to the company that Mr. Faulkner had wanted all along. The following illustrates the blatant violations of the Procurement Guidelines that occurred when processing this procurement.

1. The time allotted to receive bid quotations was insufficient.

The RFQ was issued on August 29, 1996, with a closing date of September 5, 1996 (a total of four business days later). The Procurement Guidelines state that:

*CO's shall give offerors sufficient time to prepare offers. As a general rule, at least 30 days should be allowed between the public issuance of a solicitation and its closing date.*

OPP's only explanation for the short response time was that it was an effort to accommodate the CAO's request to start the training before the end of the fiscal year (September 30, 1996).

2. OPP did not maintain a bidders list in its file.

An employee in OPP told us he faxed the RFQ to prospective bidders on August 29, 1996. The employee recalls sending it to five or six possible vendors. But there was no bidders list in the OPP file.

3. OPP only received two bids by the closing date of the RFQ.

The Procurement Guidelines state:

*There shall be obtained a minimum of three offers from three separate offerors, or two offers from two separate offerors, if only two are engaged in the conduct of such business.*

When we asked an OPP employee about this, his reply was, “if you only get two, that’s what you have to work with.” He assumed that the other vendors did not respond because they already had prior commitments for the month of September 1996. This is a poor excuse for not following the Procurement Guidelines. Obviously more than two vendors are engaged in the conduct of this type of training since the RFQ was sent to six possible vendors.<sup>8</sup> (Perhaps more bids would have been received if there had been a more realistic response time in the RFQ.)

4. There is no documentation of the bid evaluation process.

Three CAO employees met on September 6, 1996, to evaluate the two quotes that were received. The Procurement Guidelines state:

*The CAO and/or his or her designated agent(s) shall use the procedures detailed in these Instructions to ensure fair and impartial evaluation of all offers and shall document such evaluations. The CAO and/or his or her designated agent(s) shall place a signed written determination in the contract file appropriately discussing how the successful offer was determined and selected.*

No documentation was created or retained to account for how the successful offer was determined and selected.

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<sup>8</sup> The Federal Supply Schedule maintained by the General Services Administration, lists a total of 89 vendors available to provide “Quality Management Implementation” training services to the Federal Government.

## **D. Human Resources Consultants**

For a period of approximately six months in 1996, two consultants worked under contract for the CAO's office – purportedly on human resources issues. The circumstances surrounding their selection as CAO consultants, their relationship with Mr. Faulkner, and their contract performance have raised several concerns.

### **CAO's Decision to Engage the Consultants**

In early 1996, Mr. Faulkner and several of his Associate Administrators met with a staff member of the Committee on House Oversight, to discuss human resources issues. At one point during the meeting, Mr. Faulkner complained that the Committee was “holding up the CAO's personnel actions.” (A person who attended the meeting told us that this was a surprise in that Human Resources had been quite satisfied with the Committee's actions on all requests and could not understand the basis of Mr. Faulkner's complaint.<sup>9</sup>) After the meeting, Mr. Faulkner sent an e-mail message to a CAO manager expressing his desire to hire a human resources consultant. Mr. Faulkner subsequently drafted a request to contract two consultants for the Office of Human Resources.

On February 14, 1996, Mr. Faulkner submitted his request to the Committee. The request was for two contracts – one for a “Senior Consultant” and the other for a “Consultant.” The contract terms provided for a period not to exceed six months and an amount not to exceed \$39,000. The Committee approved the request on April 8, 1996. Shortly thereafter, the CAO's office awarded the contracts.

### **Contract Performance**

Before the contracts were signed, Mr. Faulkner changed the Contracting Officer's Representative (COR) to himself despite the specific language in both the request and the Committee's approval letter that the consultants would perform services “for the Office of Human Resources.” Throughout the contract period, the Office of Human Resources never received any of the contract deliverables.<sup>10</sup> The consultants submitted their work products directly to Mr. Faulkner.

Some time after the consultants left the House, three binders containing the contract deliverables were found in a pile of papers on the Senior Consultant's desk. After the contract deliverables were discovered, Human Resources (HR) staff reviewed the documents and determined that they did not provide any information beyond what HR staff had provided the Senior Consultant at the beginning of the contract. In essence, the consultants were paid \$35,839.10 for a work product with no apparent value added.

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<sup>9</sup> According to this individual, when the staff member asked Mr. Faulkner for specific examples of personnel actions the Committee was holding up, Mr. Faulkner turned to the individual and said, “Tell them I'm not crazy.” But the individual could only reply, “I don't have anything [any personnel actions] over here.” Attendees at the meeting stated that Mr. Faulkner was not pleased with this response.

<sup>10</sup> The contract deliverables were to include (1) a review of position descriptions, (2) a report on pay schedule conversion to “pay banding,” and (3) a report on a House employee “Cafeteria Plan.”

The contracts stipulated that invoices (detailing the hours worked and work performed) were required in order to make payments to the consultants. However, no invoices were ever submitted. Vouchers to pay the consultants were signed by Mr. Faulkner, and processed by the Finance Office, without invoices or any other type of supporting documentation.<sup>11</sup>

### **Other Concerns**

During this review, we learned that the Senior Consultant is a personal friend of both Mr. Faulkner and Ms. Hunter. The Senior Consultant had worked with Ms. Hunter previously at the Department of Housing and Urban Development and reportedly introduced Mr. Faulkner and Ms. Hunter to one another.

Soon after the consultants began working for the House, the Senior Consultant made some comments about the appearance of one of the female employees in the office. The Senior Consultant reportedly commented to a HR staff member that the employee was “*very attractive*” and asked, “Have you ever thought of dating anyone in the office?” The HR employee felt that these comments were inappropriate and reported the incident to the supervisor.

After the contracts ended in October 1996, the consultants remained in their offices for about a month while Mr. Faulkner was pursuing an extension of the contracts. However, Mr. Faulkner resigned on November 22, 1996, and the consultant contracts were not renewed. After the consultants completed their contract commitment, HIR Security searched their computers as part of its normal check-out procedure. This search revealed that the computers were used to access a variety of pornographic Internet sites.

In reporting on this issue, we are not questioning the CAO’s authority to hire consultants to provide services for the House. However, we do question Mr. Faulkner’s motives in hiring close friends who submitted useless deliverables and inappropriately used House equipment. We also question why Mr. Faulkner substituted himself as COR and then failed to properly monitor the contractors’ performance.

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<sup>11</sup> It is important to note that the Office of Finance typically would return a voucher that is not accompanied by supporting documentation – regardless of whether or not the voucher was signed by a House Officer.

**E. Family Health Insurance Coverage for Scot M. Faulkner**

During our review, we received confidential information from a House employee alleging that Mr. Faulkner had applied for “family” coverage for Vicki Hunter (presumably as his spouse) on his Government-sponsored health insurance policy. We followed up on this allegation and found that Mr. Faulkner did in fact apply for coverage for Ms. Hunter, even though they were not legally married.

On June 26, 1995, the Office of Human Resources received an application from Mr. Faulkner (OPM Standard Form 2809, Health Benefits Registration Form) listing Vicki V. Hunter as a family member. The application listed their impending marriage as justification for this coverage, indicating that they would be married on August 5, 1995. The application was processed by Human Resources – and coverage was provided, effective August 1, 1995 – with the understanding that a marriage certificate would be submitted to support the application.

Some time after the application was processed, an Office of Human Resources employee discovered that there was no marriage certificate in the file to support the enrollment. When Mr. Faulkner was asked about this, he confirmed that they were not married. However, Ms. Hunter attempted to intervene, arguing that their arrangement was “the same as marriage” since they owned property together and had been living together for some time. But this was not acceptable under West Virginia law (their official residence at the time)<sup>12</sup> and the policy was canceled effective November 30, 1995. Mr. Faulkner was held liable for payments that the insurer had made to doctors and pharmacies for services rendered to Ms. Hunter.<sup>13</sup>

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<sup>12</sup> West Virginia requires a seven-year period of cohabitation in order to recognize a “common-law” marriage.

<sup>13</sup> Even after the policy was canceled, Ms. Hunter persisted in her attempts to obtain insurance coverage as Mr. Faulkner’s spouse. However, Ms. Hunter was told she was not eligible for family coverage unless she and Mr. Faulkner were married under the laws of West Virginia or filed with the District of Columbia as “committed partners” (since they had a second residence in DC). But Ms. Hunter said that she and Mr. Faulkner had no intention of declaring themselves as “committed partners” under DC law.

## **F. Inappropriate Franked Mailings**

On July 21, 1995, Mr. Faulkner distributed a letter addressed to “Dear Friends and Associates” with enclosed copies of several clippings from the *Wall Street Journal*. (The clippings pertained to several previously-reported management problems at the House.) In his letter, Mr. Faulkner touted his involvement in “the historic effort of reforming the administrative structure of the U.S. House of Representatives” and solicited the recipients’ ideas for further improvement. The letter was sent to several hundred individuals on a mass mailing list – and was sent out in franked envelopes.

According to the *Regulations on the Use of the Congressional Frank By Members of the House of Representatives*, the CAO, the Clerk, and the Sergeant-at-Arms are all authorized to use the frank. However, the rules governing use of the frank are primarily directed toward Members. The regulations state that Members can use the frank for mass mailings to their constituents and for mailings to other Members of Congress. The frank may also be used for:

1. Mail to any person and to any government agency relating to matters and programs of public concern.
2. Newsletters and press releases dealing with the impact of laws on governments and the public.
3. Questionnaires seeking public opinion.

The content of Mr. Faulkner’s letter appears to be sufficiently related to House business to comply with the substantive provisions of the franking regulations. However, a question remains as to Mr. Faulkner’s motive in sending out the correspondence. Unlike House Members, Mr. Faulkner did not have a “constituency” outside the House. The CAO’s constituency consists of the Members of the House, the Committee on House Oversight, and the House Leadership – not the hundreds of “Friends and Associates” on his mass mailing list.

## **G. Sexual Harassment Investigation**

During our review of the CAO's management and financial practices, we were informed that Mr. Faulkner had once attempted to interfere in the conduct of a sexual harassment investigation – an investigation that he had originally agreed was appropriate to conduct. We reviewed the case, not as a new investigation into the merits of the original case, but to determine if the CAO's office handled the case appropriately. The investigation focused on an incident involving two CAO employees (a female employee and a male office director) that occurred during a 1996 business trip.

### **The Allegation**

The female employee alleged that the male office director had made a number of inappropriate suggestive comments while they were on their trip. The comments were allegedly made at the restaurant where they had dinner and again at the motel where they were staying.

When the trip was over, the employee sent a memo to Mr. Faulkner with a detailed description of the trip and the alleged sexual harassment incident.

### **The Transfer**

Shortly after she sent the memo to Mr. Faulkner, the employee was notified that she was being transferred from her present position to the office under the direction of the male director she had complained about. She believes she was transferred in retaliation for having reported the sexual harassment incident.

### **Formal Investigation Ordered**

Meanwhile, Mr. Faulkner was advised by counsel that the sexual harassment allegations should be investigated. Mr. Faulkner agreed. One of the office directors in Human Resources was assigned to conduct the investigation.

The investigating official conducted interviews with several women in the CAO's office, including the complainant. However, during the interview, the complainant stated that she was unhappy with the way the interview was being handled. She subsequently submitted a written statement saying that she did not want to proceed with a formal complaint. The investigating official then contacted counsel for further guidance. It was determined that although the "complainant" in this case did not want to formalize a complaint, nor want the investigation to continue, it was the duty and responsibility of management to investigate possible incidents of inappropriate personal behavior. Accordingly, the investigation proceeded.

Upon resuming the investigation, the investigating official interviewed Mr. Faulkner's Administrative Assistant. She provided relevant information about the alleged offender's past habits of making inappropriate suggestive comments to the female employees in the office. Later that same day, Mr. Faulkner called the investigating official, questioning his reasons for pursuing

the investigation. He reportedly asked, "Why are you pursuing this? What are you doing? [The complainant] doesn't want to pursue this." The investigator was perplexed by this call, especially since Mr. Faulkner had agreed with counsel that an investigation should be conducted. Again, the investigating official asked counsel for guidance. Counsel apparently was able to clear up the confusion, and the investigation proceeded.

Upon completion of the investigation, the investigating official drafted a report summarizing the details of the case and his recommendation. However, before the recommendation was carried out, the office director's employment with the House was terminated.

### **Discussion**

As stated above, our review of the sexual harassment investigation did not focus on the merits of the original case, but, rather, on the manner in which the CAO's office handled the case. In that regard, we believe Mr. Faulkner exercised poor judgment when he approved the transfer of the accuser in this case to the very office under the direction of the alleged offender. The employee believes she was transferred in retaliation for having reported the incident. The timing of the transfer – a little more than a week after she sent her complaint to Mr. Faulkner – could explain why she felt this way. However, we have not developed any evidence to support this contention. The evidence in this case suggests that her transfer was not an act of retaliation, but merely an example of Mr. Faulkner's poor judgment.

Another example of Mr. Faulkner's poor judgment was his attempt to derail the investigation a little more than a week after it began. Mr. Faulkner's actions may have been instigated by his Administrative Assistant. Shortly after the investigating official completed his interview with the Administrative Assistant, Mr. Faulkner called the investigator, questioning his motives for pursuing the investigation. We can only conclude that the Administrative Assistant went to Mr. Faulkner to complain about the investigation and the fact that she had to submit to an interview. It took counsel's intervention to get the investigation back on track.

## **H. Duplicate Payment**

During our review, we discovered two identical vouchers for payments to a CAO employee. The vouchers were to reimburse the employee \$67.41 for long-distance calls made during a one-week period in May 1996.

We contacted the employee by telephone in order to determine why two vouchers had been processed and to obtain details about the nature of the phone calls. We were informed that, in May 1996, the employee was out of the office due to a death in the family. While away, the employee made several telephone calls to Mr. Faulkner at his home or at his office. The employee stated that the calls were made for official business only. According to the employee, the voucher was processed twice because the first check was never received.

We then checked with the Office of Finance. A staff member told us that the employee claimed to have never received the check from the first voucher and, therefore, the voucher was duplicated and reprocessed. The first voucher was processed on October 9, 1996. The duplicate voucher was processed (and a second check was issued) on October 22, 1996 – only thirteen days later. When the Finance Office processed the duplicate voucher, the first check was not tracked to determine if it had been presented for payment, and a “stop payment” was not placed on the check. Office of Finance staff told us that since the check was only for \$67.41 and was issued to “an individual and not a company,” they did not pursue the matter. Staff also indicated that they reprocessed the voucher because of the employee’s “insistence” to be reimbursed without delay.

As a result, the House’s account has been debited \$134.82 for a \$67.41 expense.<sup>14</sup>

We do not dispute the validity of the reimbursement, and we have no reason to believe that the employee actually received two payments. However, we are troubled by the fact that the voucher and its supporting documentation were submitted to, and processed by, the Office of Finance twice within a two-week period merely because a staff member *insisted* that it be done. Although the amount of the double payment was relatively small, this is no excuse to make the House liable twice for the same reimbursement.

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<sup>14</sup> The Statement of Disbursements shows two debits of \$67.41, with no corresponding credit.

## **I. Poor Control over House-issued Cellular Telephones**

During our review, we discovered excessive charges for a cellular telephone issued to the CAO's Immediate Office. This one phone was charged over \$11,000 for usage during the months of August and September 1996. When we questioned an HIR manager about these charges, it was explained that HIR staff had identified the excessive usage in September 1996 and suspected that the phone had been cloned.<sup>15</sup> HIR subsequently contacted Bell Atlantic to have the phone deactivated.<sup>16</sup>

On a related matter, we learned from HIR staff that the CAO's Immediate Office refused to put their cellular telephone requests in writing. HIR normally requires written documentation detailing the name of the office the phone is issued to and the name of the person responsible for the phone. However, when the CAO's Immediate Office requested cellular telephones, HIR staff was simply directed to deliver the phones to the office. No information was ever provided to HIR regarding the users of the phones, even though the CAO's Immediate Office has had ten or more cellular telephones issued and outstanding at one time.

When we asked the HIR manager about security measures, we were informed that Personal Identification Numbers (PINs) can be used to limit the risk of cloning, and can also limit the risk of use by unauthorized persons.<sup>17</sup> At the present time, the cellular phone providers in the Washington metropolitan region do not require the use of PINs. However, individual users of the phones can activate PINs.

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<sup>15</sup> Cloning is the illegal duplication of a cellular telephone's electronic serial number assigned by the manufacturer in order to defraud the cellular telephone service provider.

<sup>16</sup> The charges for the cloned phone were credited back to the House. However, it was difficult to reconcile the amounts credited with the original amounts charged due to format and billing cycle inconsistencies.

<sup>17</sup> If a PIN has been activated for a cellular telephone, anyone attempting to use the phone must enter that same number. If the user does not have the number, a call cannot be initiated.

## **J. Issues Raised in Kessler Book**

On Sunday, May 18, 1997, an article appeared in the *Washington Post Magazine* entitled, "Membership Has Its Privileges." The article was adapted from *Inside Congress*, a book by Ronald Kessler, a former *Post* reporter.<sup>18</sup> Mr. Faulkner was purportedly interviewed by Mr. Kessler for this book.

Chapter 10 of Mr. Kessler's book, entitled "\$20,000 Silk-Covered Chairs," begins with a discussion of how Mr. Faulkner had been "handpicked" by the Speaker "to bring modern management techniques to the House." The author then cites many instances of alleged administrative and management improprieties within the House and lists, among his sources, three separate interviews with Mr. Faulkner on July 2, 9, and 16, 1996. During this time, Mr. Faulkner was still serving as CAO. This raises the issue of whether Mr. Faulkner committed any ethical improprieties by divulging any confidential House information in these interviews.<sup>19</sup>

The following is a synopsis of the information in chapter 10 that was reportedly obtained from the author's interviews with Mr. Faulkner:

### **The House's Ledger**

On pages 153-154 of his book, Mr. Kessler discusses how Mr. Faulkner was "shocked" when he reviewed the House's books for the first time. Rather than producing financial statements with assets and liabilities and "accrual accounting" to guard against overspending, Mr. Kessler stated that the House had recorded only receipts and disbursements, "as in a giant checking account." The author goes on to note that the ledger was "etched with multicolored pen-and-ink entries" and that "[m]any of the entries had been crossed out and new ones substituted." The author then quotes Mr. Faulkner as saying, "Most people's checkbooks look better than this." Mr. Kessler attributes this information to a July 9, 1996, interview with Mr. Faulkner.

The author then discusses a Price Waterhouse audit finding that the House "lacks the organization and structure to periodically prepare financial statements that . . . are accurate." This is followed by a quote from Mr. Faulkner stating, "The Price Waterhouse people sat there and shook their heads. They couldn't believe a place could be as badly run as this was." Mr. Kessler attributes this information to a July 2, 1996, interview with Mr. Faulkner.

We have not interviewed either Mr. Kessler or Mr. Faulkner, and it is impossible to tell from reading the book exactly how much of the information is actually attributed to the author's conversations with Mr. Faulkner.<sup>20</sup> However, the Price Waterhouse audit findings and the

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<sup>18</sup> *Inside Congress: The Shocking Scandals, Corruption, and Abuse of Power Behind the Scenes on Capitol Hill*, Ronald Kessler, Pocket Books, a division of Simon & Schuster, Inc., 1997.

<sup>19</sup> As discussed in Section II.B of this report, Rule II of the *Rules of the House of Representatives* provides that the CAO "shall take an oath . . . to keep the secrets of the House." Divulging confidential information to an individual outside the House could be viewed as a violation of the CAO's oath of office.

<sup>20</sup> For example, is it just Mr. Faulkner's quotes -- or the entire discussion of the House's books -- that is being attributed to the author's interviews with Mr. Faulkner?

underlying conditions in the House referred to by Mr. Kessler were widely discussed in a press conference held by several Members of Congress in July 1995 following the issuance of the Inspector General's audit report. Therefore, Mr. Faulkner's July 1996 conversation with Mr. Kessler on the subject of the House's ledger does not appear to have violated any pledge of confidentiality.<sup>21</sup>

### **The House's Parking Policies**

A discussion of the House's parking policies begins on page 158 of Mr. Kessler's book. The author discusses Mr. Faulkner's observations that "the lawmakers ignored the [parking] rules they had made for themselves" and that 157 Members had more than the eight parking spaces permitted under "House rules." This information is reportedly documented by an April 14, 1995, memorandum from Mr. Faulkner to Representative William M. Thomas, Chairman, Committee on House Oversight. The author then states that Mr. Faulkner "found that fifty of the additional spaces had been given to former members who were now lobbyists." This is attributed to a July 9, 1996, interview with Mr. Faulkner. Mention is also made of a May 25, 1995, article in *Roll Call*, quoting Chairman Thomas on the issue of parking spaces.

The author then references the "Price Waterhouse report" on the issue of parking waivers and quotes Mr. Faulkner as saying, "There were four thousand written waivers a month issued by Charlie Rose, chairman of the Committee on House Administration, that allowed members to circumvent the public rules of the House." This quote is attributed to the author's July 9, 1996, interview with Mr. Faulkner.

The information regarding the House's parking problems is attributed to four separate sources: Mr. Faulkner's memorandum to Chairman Thomas, a *Roll Call* article, the Price Waterhouse report, and the author's interview with Mr. Faulkner. Because of the *Roll Call* article and the audit report, it is reasonable to conclude that the parking situation was "public information." Accordingly, we do not believe that Mr. Faulkner can be held accountable for divulging confidential information in discussing these issues with Mr. Kessler.<sup>22</sup>

### **The Architect of the Capitol**

Mr. Kessler segues from parking policies to a discussion of the Architect of the Capitol. On page 162, the author quotes Mr. Faulkner as saying, "if Price Waterhouse weighed into the Architect, they would find many times over what they found here. The Architect has a lot of accounts that

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<sup>21</sup> Although we find no breach of confidentiality, we believe the author's presentation of the facts is distorted. For example, Mr. Kessler states that Speaker Gingrich's "transition team decided to hire an accounting firm" and that the "previous Congress" had given the House Inspector General "a staff of only a secretary." The author fails to point out that the decision to audit the House was supported by a formal House Resolution, that the OIG actually selected Price Waterhouse to conduct the audit, and that the IG's office was fully staffed in the 104<sup>th</sup> Congress and oversaw the performance of the Price Waterhouse audit.

<sup>22</sup> As to Mr. Faulkner's memorandum to the Chairman, we have no evidence that it was Mr. Faulkner who provided the memo to the author.

slosh around and need to be looked at.” This quote is attributed to a July 16, 1996, interview with Mr. Faulkner.

We find these comments entirely inappropriate. In talking publicly about “accounts that slosh around,” and speculating about what auditors might “find,” Mr. Faulkner was expressing little more than rash opinion, engaging in reckless conjecture, and making unsubstantiated allegations. Moreover, these comments were made about an organization that is not even under the CAO’s area of responsibility. Comments such as these are inappropriate under any circumstances.

### **Members’ Furniture and Furnishings**

On page 166, Mr. Kessler discusses how Mr. Faulkner and several of Speaker Gingrich’s aides discovered “a Capitol hideaway” that had allegedly been used by former Speaker Tom Foley and his wife. This “hideaway” apparently contained an office and a stairway to a second floor “apartment, with a wet bar, a bedroom, a full bath.” Mr. Faulkner is then quoted as saying, “We were able to attribute at least sixty-eight thousand dollars to the construction of that space. No one knew it existed. It was not in the blueprints.” The source of this information is a July 16, 1996, interview with Mr. Faulkner.

We find these comments to be highly inappropriate. Mr. Faulkner exhibited extremely poor judgment in publicly discussing a sensitive issue such as this, which could lead a reader to draw inferences not necessarily supported by fact.

Following the discussion of Speaker Foley’s “hideaway,” Mr. Kessler then discusses how Mr. Faulkner “proposed” that Members pay for their furniture and furnishings out of their own allocations, but that the Committee on House Oversight “never approved it.” The author then states that the Committee also would not approve a requirement that Members “pay the true replacement value of furniture they are allowed to take home with them – their desk, desk chair, and district office furniture.” Mr. Kessler concludes with the statement, “Allowed or not, many members also take home the rest of their furnishings.” Although he does not quote Mr. Faulkner directly, the author attributes this information to a July 2, 1996, interview with Mr. Faulkner.

In discussing Mr. Faulkner’s “proposal,” Mr. Kessler is almost certainly referring to what was contained in an October 4, 1995, memorandum from Mr. Faulkner to Chairman Thomas. In this memorandum, Mr. Faulkner proposed a total of six new policies to “assign responsibility for

House furniture and furnishings to Members, Officers and their staff [sic].” The specific policies that Mr. Kessler appears to be referring to are:

- Members, Committee Chairs and Officers of the House are financially responsible for all furniture and furnishings in their Washington, D.C. offices.
- Members who are leaving the Congress may purchase their personal desk and chair [sic] for the current acquisition cost.

We cannot be certain that Mr. Faulkner provided Mr. Kessler with a copy of the memorandum. Nevertheless, it was inappropriate for Mr. Faulkner to discuss these issues publicly. At the time Mr. Kessler interviewed Mr. Faulkner, the CAO’s proposal was pending before the Committee and, as such, was not public information. Therefore, it was entirely inappropriate, and a breach of confidentiality, for Mr. Faulkner to discuss these issues with Mr. Kessler.<sup>23</sup>

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<sup>23</sup> The author’s statement that the Committee “never approved” or “would not approve” Mr. Faulkner’s proposal is misleading. At the time of the interview, the Committee had not yet acted on Mr. Faulkner’s proposal, but it was still an active proposal pending before the Committee. (A September 10, 1996, OIG audit report entitled, *Internal Controls Over House Furnishings Need Improvement*, made reference to this proposal. In our report, we specifically recommended that the CAO’s proposed policy change pending before the Committee be clarified, revised, and resubmitted to the Committee.)

### **III. CONCLUSION AND RECOMMENDATIONS**

This management review has revealed a pattern and practice of poor judgment, mismanagement, abuse of authority, and gross disregard for established policies and procedures by the CAO in the 104<sup>th</sup> Congress, Scot M. Faulkner.

(We have corresponded with Mr. Faulkner on three separate occasions in an attempt to arrange a personal meeting to discuss these issues. In response to our first request, Mr. Faulkner advised us that he “will be available to discuss the issues . . . upon my return to the United States.” But in a subsequent letter, Mr. Faulkner stated, “my plans to return to Washington, DC are, at this time, uncertain.” He asked that we send written questions to his home in Harpers Ferry, West Virginia. We wrote back, advising Mr. Faulkner that we would not do this. In his third letter, Mr. Faulkner said he must “insist” on written questions so he can consult with counsel prior to answering our questions.)

Perhaps the most egregious infraction uncovered by this review was the unauthorized involvement by Mr. Faulkner’s fiancée, Vicki Hunter, in the day-to-day operations of the CAO’s office. In allowing Ms. Hunter’s active participation in CAO business, Mr. Faulkner abused his authority while at the same time abdicating his responsibilities as CAO. Not only was Ms. Hunter’s involvement unlawful and unethical, it also contributed to a demoralized atmosphere throughout the CAO organization.

Mr. Faulkner also exercised poor judgment, and abused his authority, by:

- Authorizing his own vouchers for reimbursement for questionable telephone charges.
- Altering his work schedule, working a four-day week in Washington, DC with three-day weekends in Harpers Ferry, West Virginia.
- Contracting with, and engaging as consultants, personal friends and associates.
- Attempting to cover Ms. Hunter on his Government-sponsored health insurance policy when she was clearly not eligible for such coverage.
- Using the frank to distribute a mass mailing to his personal friends and associates.
- Transferring an employee who had reported an incident of sexual harassment to the office under the direction of the alleged violator and, subsequently, attempting to halt the ongoing sexual harassment investigation.
- Making inappropriate comments and disclosing confidential information regarding House business to author Ronald Kessler during interviews for the book *Inside Congress*.

In addition, we identified several internal control weaknesses that need to be corrected.

In one instance, we discovered that a duplicate voucher had been processed for a CAO employee who claimed that she never received her check for reimbursement of expenses. Instead of attempting to track the lost check or issue a stop payment order, the Finance Office simply issued a replacement check. Although the amount of the payment was relatively small, the House’s account was nonetheless debited twice for a single expense.

We also found the control over the issuance of cellular telephones to be lacking in some instances. Contrary to normal policy, employees in the CAO's Immediate Office refused to put their requests for cellular telephones in writing. HIR generally had no idea who was using the telephones issued to the CAO's Immediate Office. At one point, ten or more cellular telephones were issued and outstanding at one time. In addition, one of these cellular telephones was cloned. However, the CAO's staff did not use Personal Identification Numbers (PINs) which can be activated to protect cellular telephones against cloning and unauthorized use.

Finally, we found the procedures followed by the Office of Procurement and Purchasing (OPP) to be sloppy and haphazard in the one transaction we reviewed – the procurement of TQM training for CAO staff. In this transaction, we found that OPP did not follow the established Procurement Guidelines and failed to properly document the procurement file.

Generally, in making recommendations for corrective action, we would also address the issue of appropriate administrative action for any employees guilty of serious transgressions. Of course, in this case, the issue is moot since Mr. Faulkner has resigned from the House. Thus, we are referring this report to the Committee on House Oversight with the following recommendations:

1. A secondary authorization be required to process vouchers for reimbursement to an Officer of the House.
2. The Chief Administrative Officer attempt to recover from Mr. Faulkner the sum of \$1,366.59 for improper telephone charge reimbursements.
3. The Chief Administrative Officer establish and implement specific procedures pertaining to lost checks. At a minimum, no check should be reissued without first attempting to track and/or stop payment on the lost check.
4. The Chief Administrative Officer inform all users of House-issued cellular telephones that PINs can be utilized to protect against cloning and unauthorized use of the phones.
5. The Chief Administrative Officer direct the new Associate Administrator, Procurement and Purchasing, when appointed, to thoroughly review the performance of the staff and take whatever measures are necessary to ensure that:
  - (a) established policies and procedures (including, but not necessarily limited to, the Procurement Guidelines) are followed; and
  - (b) all procurement files are properly documented and required records are maintained.